

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-6-G - ORDER NO. 2005-365

JULY 19, 2005

IN RE: Annual Review of Purchased Gas) ORDER APPROVING
Adjustments (PGA) and Gas Purchasing) AND ADOPTING
Policies of South Carolina Pipeline) SETTLEMENT
Corporation.) AGREEMENT

The above-captioned matter is before the Public Service Commission of South Carolina ("Commission") on the Joint Motion Requesting Approval of Settlement Agreement ("Joint Motion") filed by the Office of Regulatory Staff of South Carolina ("ORS"), South Carolina Energy Users Committee (SCEUC), the City of Orangeburg, South Carolina (the "City of Orangeburg"), Lancaster County Natural Gas Authority, York County Natural Gas Authority, Chester County Natural Gas Authority, and Patriots Energy Group (collectively referred to herein as "PEG"), and South Carolina Pipeline Corporation ("SCPC" or the "Company") (all of whom are collectively referred to as the "Parties"). It is acknowledged that the parties to the Settlement Agreement are the only parties of record in this docket.

By Commission Directive dated June 21, 2005, the Commission granted the Joint Motion in part and ordered that the Settlement Agreement be accepted into the record without objection. The Commission also ordered that the pre-filed direct testimony of SCPC witnesses Paul V. Fant, Michael P. Wingo, Samuel L. Dozier, John S. Beier, and Thomas R. Conard and ORS witnesses Jay R. Jashinsky and Carey Flynt be accepted into

the record without objection or cross-examination. Furthermore, the Commission appointed Joseph M. Melchers, Chief Counsel to the Commission, as Hearing Officer to address and resolve any procedural issues related to the hearing.¹

The Commission conducted a formal hearing in this matter on June 22, 2005, beginning at 10:30 a.m. in the hearing room of the Commission with the Honorable Randy Mitchell, Chairman, presiding. Mitchell Willoughby, Esquire, and Catherine D. Taylor, Esquire represented SCPC. Charles Cook, Esquire appeared on behalf of SCEUC. Paul W. Dillingham, Esquire represented PEG. Florence P. Belser, Esquire and Wendy B. Cartledge, Esquire appeared on behalf of ORS. Counsel for the City of Orangeburg, James N. Horwood, was excused from attending the hearing and therefore, was not present.

¹ Hearing Officer Melchers resolved all procedural issues as follows:

With the exception of witness Carey Flynt of ORS, the witnesses are excused from appearance at tomorrow's hearing. With the exception of Attorney Jim Horwood, who is excused from attendance at tomorrow's settlement hearing, the attorneys for the parties, and ORS witness Carey Flynt, will appear before the Commission at the hearing scheduled for Wednesday, June 22, 2005, to acknowledge their respective client's consent to the proposed settlement agreement and their respective client's belief that the agreement is in the interest of the parties and the public interest (Mr. Charles Cook will be present for Mr. Scott Elliott). Ms. Flynt shall appear as a witness at the Wednesday hearing for the limited purpose of addressing questions related to the terms of the proposed settlement and any of the facts supporting the settlement. Ms. Flynt is to be available to answer Commissioners' and ORS' questions, but may also be made available for any clarifying questions that the other parties may have as the result of her live testimony. Further, the Commission reserves the right to call the other witnesses who have prefiled testimony in this Docket, if the Commission believes after Wednesday's hearing that it needs further information prior to making its decision in this Docket.

[Commission Hearing Officer Directive dated June 21, 2005].

At the hearing, upon oral motion of Ms. Cartledge of ORS, the Commission accepted into the record the pre-filed direct testimony and exhibits of SCPC witnesses Paul V. Fant, Michael P. Wingo, Samuel L. Dozier, John S. Beier, and Thomas R. Conard and ORS witnesses Jay R. Jashinsky and Carey Flynt. The Commission also accepted into the record the Settlement Agreement, which was designated as Hearing Exhibit No. 1.

All counsel present at the hearing acknowledged their respective clients' consent to the terms of the Settlement Agreement. Further, the Parties represented that they "have each determined that their interest and the public interest would be best served by settling the above-captioned case" [See Hearing Exhibit No. 1 at p.2]. Moreover, ORS presented witness Carey Flynt who explained the terms of the Settlement Agreement and testified that the Settlement Agreement was in the public interest. A copy of the Settlement Agreement is attached hereto as Order Exhibit No. 1 and is hereby incorporated into and made part of this Order.

In addition to testifying that the Settlement Agreement was in the public interest, Ms. Flynt also summarized her pre-filed direct testimony and the findings of ORS. More specifically, she testified that ORS conducted an extensive audit of SCPC's gas costs for the period January 2004 through December 2004 ("Review Period") and concluded that SCPC's gas purchasing policies and practices were reasonable and prudent and that the Company had properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period.

Ms. Flynt testified further that the Company had managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders and recommended that SCPC be allowed to continue operating its hedging program at the presently approved level of up to seventy-five percent (75%) of system supply. She also recommended that the Commission authorize the continuation of SCPC's Industrial Sales Program – Rider without modification and that the Commission continue to require SCPC to assign 20,000 dekatherms ("dts") per day of the least expensive daily delivered gas volume to the weighted average cost of gas (subject to the flexibility granted the Company during the summer period of April through October of assigning 10,000 dts per day of the 20,000 dts per day requirement in accord with its varying load demand). No other witnesses testified at the hearing. Further, the Commission is satisfied with the answers given by Ms. Flynt in response to the questions presented to her at the hearing by the Commissioners and therefore, concludes that it is not necessary for any other witnesses to provide additional testimony in this proceeding.

After careful review and consideration of the Joint Motion and Settlement Agreement, the evidence of record, and the representations of counsel, the Commission concludes as a matter of law that (i) approval of the Settlement Agreement is in the public interest; (ii) SCPC's gas purchasing policies and practices during the Review Period were reasonable and prudent; (iii) SCPC properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period; (iv) SCPC managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders, and it is in the best interest of the public to

permit SCPC to continue operating its hedging program at the presently approved level of up to seventy-five percent (75%) of estimated gas purchases for firm customers; (v) SCPC's Industrial Sales Program – Rider should be continued without modification; and (vi) SCPC should continue to assign 20,000 dts per day of the least expensive daily delivered gas volume to the weighted average cost of gas (subject to the flexibility granted the Company during the summer period of April through October of assigning 10,000 dts per day of the 20,000 dts per day requirement in accord with its varying load demand).

NOW THEREFORE, based upon the foregoing, **IT IS HEREBY DECLARED AND ORDERED THAT:**

1. The Settlement Agreement attached hereto as Order Exhibit No. 1 is accepted into the record without objection and is incorporated into and made part of this Order by reference. Further, the Settlement Agreement is found to be in the public interest and constitutes a reasonable resolution of this proceeding.

2. The pre-filed direct testimony and exhibits of SCPC witnesses Paul V. Fant, Michael P. Wingo, Samuel L. Dozier, John S. Beier, and Thomas R. Conard are accepted into the record without objection.

3. The pre-filed direct testimony and exhibits of ORS witnesses Jay R. Jashinsky and Carey Flynt are accepted into the record without objection. Further, the oral testimony of Ms. Flynt presented at the hearing on June 22, 2005, is also incorporated into the record without objection.

4. SCPC's gas purchasing policies and practices during the Review Period were reasonable and prudent.

5. SCPC properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period.

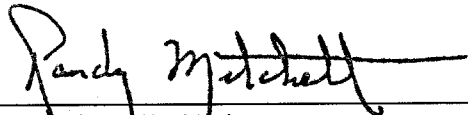
6. SCPC managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders; therefore, SCPC is authorized to continue operating its hedging program at the presently approved level of up to seventy-five percent (75%) of estimated gas purchases for firm customers.

7. The Industrial Sales Program – Rider shall be continued without modification.

8. SCPC shall continue to assign 20,000 dts per day of the least expensive daily delivered gas volume to the weighted average cost of gas (subject to the flexibility granted the Company during the summer period of April through October of assigning 10,000 dts per day of the 20,000 dts per day requirement in accord with its varying load demand).


9. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Randy Mitchell, Chairman

ATTEST:



G. O'Neal Hamilton, Vice-Chairman

(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-6-G

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SOUTH CAROLINA
PUBLIC SERVICE COMMISSION

IN RE:)
)
Annual Review of the Purchased Gas)
Adjustments (PGA) and Gas Purchasing)
Policies of South Carolina Pipeline)
Corporation.)
_____)

SETTLEMENT AGREEMENT

This Settlement Agreement is made by and among the Office of Regulatory Staff of South Carolina ("ORS"), South Carolina Energy Users Committee, the City of Orangeburg, South Carolina (the "City of Orangeburg"), Lancaster County Natural Gas Authority, York County Natural Gas Authority, Chester County Natural Gas Authority, Patriots Energy Group,¹ and South Carolina Pipeline Corporation ("SCPC") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, by South Carolina Public Service Commission ("Commission") Order No. 87-1122 dated October 5, 1987, the Commission instituted an annual review of SCPC's Purchased Gas Adjustment and Gas Purchasing Policies. In the above-captioned proceeding the review period is January 2004 through December 2004 ("Review Period");

WHEREAS, the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

¹ Lancaster County Natural Gas Authority, York County Natural Gas Authority, Chester County Natural Gas Authority, and Patriots Energy Group are collectively referred to herein as "PEG."

WHEREAS, the Parties have engaged in discussions, most recently on June 14, 2005, to determine if a settlement of this proceeding would be in their best interest;

WHEREAS, following those discussions the Parties have each determined that their interest and the public interest would be best served by settling the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony of SCPC witnesses Paul V. Fant, Michael P. Wingo, Samuel L. Dozier, John S. Beier, and Thomas R. Conard, without objection, change, amendment, or cross-examination.

2. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony of ORS witnesses Jay R. Jashinsky and Carey Flynt, without objection, change, amendment, or cross-examination.

3. The Parties further agree that with the stipulated testimony of record, the hearing record then before the Commission will conclusively demonstrate the following: (i) SCPC's gas purchasing policies and practices during the Review Period were reasonable and prudent, (ii) SCPC properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period, (iii) SCPC managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders and therefore, should be continued at the currently approved level of up to 75% of estimated gas purchases for firm customers, (iv) SCPC's Industrial Sales Program – Rider should be continued without modification, and (v) SCPC should continue to assign 20,000 dekatherms ("dts") per day of the least expensive daily delivered gas volume to the weighted average cost of gas (subject to the flexibility granted the Company during the summer period of April through October of

assigning 10,000 dts per day of the 20,000 dts per day requirement in accord with its varying load demand).

4. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

5. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions held in future proceedings. If the Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without penalty.

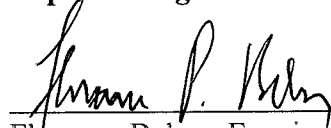
6. This agreement shall be interpreted according to South Carolina law.

7. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

[SIGNATURE PAGES FOLLOW]

WE AGREE:

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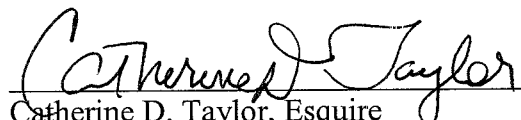
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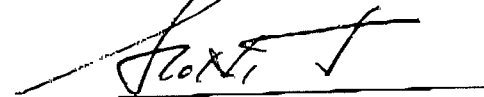
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SCEUC has not independently reviewed (i) SCPC's gas purchasing policies and practices, (ii) the management of SCPC's hedging program, (iii) SCPC's Industrial Sales Program – Rider, or (iv) whether SCPC should continue to assign 20,000 dekatherms per day of the least expensive daily delivered gas volume to the weighted average cost of gas. SCEUC's review of these matters is limited only to (i) SCPC's responses to ORS's Information Data Requests Set No. 1 and Set No. 2; (ii) SCPC's responses to the City of Orangeburg's Interrogatories and Information Data Requests Set No. 1 and Set No. 2, and (iii) the pre-filed direct testimony of SCPC's and ORS's witnesses. Although SCEUC has not conducted an independent investigation into the prudence of SCPC's gas purchasing policies and practices, SCEUC is aware that ORS has conducted such an investigation, and by executing this Settlement Agreement, SCEUC hereby supports the positions and conclusions of ORS as set forth in the pre-filed direct testimony of ORS witnesses Jay Jashinsky and Carey Flynt.

Representing and binding South Carolina Energy Users Committee



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The City of Orangeburg has not independently reviewed (i) SCPC's gas purchasing policies and practices, (ii) the management of SCPC's hedging program, (iii) SCPC's Industrial Sales Program – Rider, or (iv) whether SCPC should continue to assign 20,000 dekatherms per day of the least expensive daily delivered gas volume to the weighted average cost of gas. The City of Orangeburg's review of these matters is limited only to (i) SCPC's responses to ORS's Information Data Requests Set No. 1 and Set No. 2; (ii) SCPC's responses to the City of Orangeburg's Interrogatories and Information Data Requests Set No. 1 and Set No. 2, and (iii) the pre-filed direct testimony of SCPC's and ORS's witnesses. Consequently, the City of Orangeburg does not represent that SCPC's practices have in fact been prudent. Rather, the City of Orangeburg's execution of this Settlement Agreement is strictly limited to acknowledging that it does not oppose or object to the Commission making the findings set forth above in Paragraph 3 applicable to the period under review.

Representing and binding the City of Orangeburg



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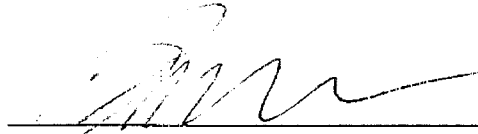
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PEG has not independently reviewed (i) SCPC's gas purchasing policies and practices, (ii) the management of SCPC's hedging program, (iii) SCPC's Industrial Sales Program – Rider, or (iv) whether SCPC should continue to assign 20,000 dekatherms per day of the least expensive daily delivered gas volume to the weighted average cost of gas. PEG's review of these matters is limited only to (i) SCPC's responses to ORS's Information Data Requests Set No. 1 and Set No. 2; (ii) SCPC's responses to the City of Orangeburg's Interrogatories and Information Data Requests Set No. 1 and Set No. 2, and (iii) the pre-filed direct testimony of SCPC's and ORS's witnesses. Consequently, PEG does not represent that SCPC's practices have in fact been prudent. Rather, PEG's execution of this Settlement Agreement is strictly limited to acknowledging that it does not oppose or object to the Commission making the findings set forth above in Paragraph 3 applicable to the period under review.

Representing and binding Lancaster County Natural Gas Authority, Chester County Natural Gas Authority, York County Natural Gas Authority, and Patriots Energy Group



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